

ANGLO UNITED
Development Corporation
LIMITED

28th ANNUAL REPORT



1977

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ANGLO UNITED
Development Corporation
LIMITED



SEMI ANNUAL REPORT
for the Six Months ended April 30, 1977

**ANGLO UNITED
DEVELOPMENT CORPORATION
LIMITED**

SUITE 2602, ROYAL TRUST TOWER
P.O. BOX 27, TORONTO-DOMINION CENTRE,
TORONTO, ONTARIO M5K 1A1

To the Shareholders:

The Directors present the unaudited consolidated financial statement of the Company for the six months ended 30th April, 1977.

During the period under review, expenditures totalling \$51,744 were incurred in exploration on the prospecting licences in the Republic of Ireland within the joint venture agreement between your Company's wholly owned Irish subsidiary, Munster Base Metals Limited, Penarroya and Preussag.

Exploration during February to April, 1977 included a program of comparatively shallow rotary drilling totalling some 3,388 feet in a series of holes in a grid on the Wexford area licence group to obtain samples for geochemical analysis. Also during the period, a reconnaissance induced polarization survey was conducted over a portion of the Mallow area licence group.

Five new prospecting licences were offered and accepted by Munster Base Metals on behalf of the joint venture.

Outside of the Munster-Penarroya-Preussag joint venture, your Company is participating in a group of 20 prospecting licences in the Connemara area where investigations have indicated scheelite (tungsten) occurrences.

In addition, expenditures totalling \$14,639 were incurred in connection with exploration on other prospecting licences which are in joint venture with an associated company.

Working capital at 30th April, 1977 amounted to \$284,266, a decrease of \$90,624 during the six-month period.

On behalf of the Board of Directors

"ALAN R. B. LOWE"
President

30th June, 1977

**ANGLO UNITED
DEVELOPMENT CORPORATION
LIMITED**

and its wholly-owned subsidiaries

**UNAUDITED CONSOLIDATED STATEMENT
OF CHANGES IN FINANCIAL POSITION**

For the Six Months Ended April 30, 1977

| | 1977 \$ | 1976 \$ |
|---|-----------------|----------------|
| Funds Provided | | |
| Capital stock issued | — | 400,000 |
| Oil lease rentals (net) | 4,366 | 5,600 |
| Interest and other income | <u>11,806</u> | <u>15,270</u> |
| | <u>16,172</u> | <u>420,870</u> |
| Funds Applied | | |
| Fixed asset additions | 9,304 | — |
| Interest in exploration ventures | 51,744 | 37,479 |
| Deferred exploration expenses | 14,639 | 3,386 |
| Administration expenses | <u>31,109</u> | <u>55,604</u> |
| | <u>106,796</u> | <u>96,469</u> |
| Increase (Decrease) in Working Capital | <u>(90,624)</u> | <u>324,401</u> |
| Working Capital — Beginning of Period | 374,890 | 93,533 |
| Increase (Decrease) in Working Capital | <u>(90,624)</u> | <u>324,401</u> |
| Working Capital — End of Period | <u>284,266</u> | <u>417,934</u> |

The above statement is subject to year-end audit and adjustments.

ANGLO UNITED

Development Corporation

LIMITED

Officers

Alan R. B. Lowe,
President

Matthew Gilroy,
Vice-President

L. Jules Gregoire,
Vice-President

Thomas E. Kelly,
Secretary-Treasurer

Directors

John C. Evans,
Toronto, Canada
Investment Dealer

Matthew Gilroy,
Dublin, Ireland
Vice-President and Director,
Northgate Exploration Limited

L. Jules Gregoire,
Hull, Canada
Civil Engineer

A. Garfield Heyes,
Toronto, Canada
Vice-President of Corporate Relations
and Director, Northgate Exploration Limited

Patrick J. Hughes,
Dublin, Ireland
President and Director, Northgate Exploration Limited

Alan R. B. Lowe,
Toronto, Canada
President, Anglo United Development
Corporation Limited

Peter McAleer,
Dublin, Ireland
Vice-President, Northgate Exploration Limited
and Barrister at Law

James H. Morlock,
Toronto, Canada
Barrister and Solicitor

George T. Smith,
Toronto, Canada
President, Camflo Mines Limited

Technical Staff

David G. Wilbur, B.Sc., *Chief Geologist*
Peter K. Dendle, B.Sc., M.Sc., *Geologist*

Shareholders' Auditors

Coopers & Lybrand
Chartered Accountants, Toronto, Canada

Bankers

Bank of Nova Scotia
King and Victoria Streets Branch, Toronto, Canada
and St. Stephens Green, Dublin, Ireland

Transfer Agent

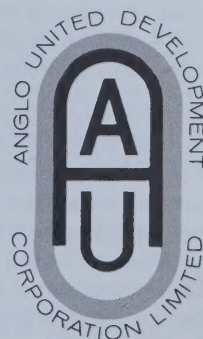
Canada Permanent Trust Company, *Toronto, Canada*

Executive and Head Office

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P.O. Box 27, Toronto-Dominion Centre,
Toronto, Canada M5K 1A1
Telephone: Area Code 416. 362-2781. Telex: 06-217766
Cable Address "Angunit", *Toronto, Canada*

Dublin Office

162 Clontarf Road, Dublin 3, Ireland



Annual Meeting of Shareholders

Monday, May 8, 1978, 9:00 a.m., *Toronto time.*
Manitoba Room, Royal York Hotel, Toronto, Canada.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the 28th Annual Report of the Company. Included are the audited consolidated financial statements of the Company and its wholly owned subsidiaries for the fiscal year ended 31st October, 1977. The following is a general review of the principal properties and mineral interests held together with a summary of the main activities during the year and the subsequent period to date.

Of particular current interest is the announcement made by your Company on 29th March, 1978 that during the course of a recent instrumentation reconnaissance survey for radioactive minerals in County Donegal, Republic of Ireland, a zone of significant radiometric readings was detected. The zone extends over two prospecting licence application areas and has a strike length in excess of 15,000 feet and widths up to 60 feet. No ore grade uranium assays have yet been obtained in this zone.

The two prospecting licence application areas are part of an area covered by a group of four licences which were applied for by the Company's wholly owned Irish subsidiary, Munster Base Metals Limited ("Munster"), in July 1975 and were offered to the Company by the Minister for Industry, Commerce and Energy, and were accepted by Munster in January, 1978.

The four Donegal licences, which cover a combined area of approximately 72 square miles, are included in the group of 11 prospecting licences advertised for issue to Munster by the Minister on 8th April, 1978.

Your Company plans an intensive program to evaluate the significance of this zone in conjunction with its general program of exploration over these and adjoining licence areas in County Donegal.

The other seven prospecting licences advertised for issue on 8th April, 1978 are located in Counties Galway, Roscommon, Tipperary and Longford.

Exploration activity in the 1976-1977 fiscal period was principally the continuation of work on the group of prospecting licences in the Republic of Ireland under the joint venture agreement between your Company's wholly owned Irish subsidiary, Munster Base Metals Limited, Societe Miniere et Metallurgique de Penarroya ("Penarroya") and Preussag Aktiengesellschaft Metall ("Preussag").

Including the 14 prospecting licences comprising the Munster-Penarroya-Preussag joint venture, your Company and its wholly owned subsidiary have varying interests in a total of 45 licences in the Republic of Ireland. Two of these licences, together with the 11 licences recently advertised for issue to Munster, are wholly owned by the Company.

Financial

Working capital at 31st October, 1977 was \$291,400 compared with \$374,890 a year earlier. In addition, your Company and its wholly owned investment subsidiary hold 246,333 shares of Northgate Exploration Limited having a current approximate quoted market value of \$1.1 million. As stated in the accompanying note to the financial statements, subsequent to the year end your Company negotiated a line of credit with a Canadian chartered bank for a maximum of \$500,000. In the event the line of credit is utilized, the Company will be obliged to pledge its shares of Northgate Exploration Limited as collateral.

Revenue for the 1977 fiscal year from dividends, interest and other income, and oil lease rentals, amounted to \$126,004. The comparable figure for the 1976 fiscal year was \$44,427. Exploration expenditures for the period, including contributions to the Munster-Penarroya-Preussag joint venture, totalled \$126,025.

PROSPECTING LICENCES IN THE REPUBLIC OF IRELAND

Exploration on certain areas of the group of prospecting licences within the joint venture agreement between Munster, Penarroya and Preussag was again the principal activity of the Company during the 1976-1977 fiscal period. This was essentially a continuation of the project initiated originally in 1971 and amended by a superceding agreement at the beginning of the 1975-1976 fiscal year.

During the latest fiscal period, 11 licences were surrendered and five new licences granted, resulting in a total of 14 licences held at the fiscal year end for the M. P. & P. joint venture project.

The exploration programs carried out in respect of this joint venture included prospecting, geological mapping, geophysical and geochemical surveys, the latter including deep overburden and bedrock sampling using both rotary reverse circulation and percussion drilling techniques, together with core diamond drilling in certain licence areas.

The licence groups in the Mallow, Kerry and Wexford areas remain the prime targets for continuing work. The Mallow area group includes the known Tullacondra copper-silver deposit where earlier drilling indicated the possibility of an occurrence of about 4 million tons of mineralized material grading about 0.69% copper and 0.86 ounce of silver per ton as well as the known lead-zinc showing at Granges East, about 2.5 miles east of Tullacondra.

A program of rotary drilling totalling 1,695 feet in nine holes was completed on the Kerry licence group immediately south of Fairey Gate Hill. Two of these holes encountered narrow (5') sections of significant zinc-lead mineralization. Two vertical diamond drill holes totalling 792 feet were also put down in the area but failed to locate any source of economic mineralization.

An extensive program of rotary drilling plus deep overburden sampling by Cobra drill was carried out over the Wexford licence block. In addition, reconnaissance soil sampling was conducted on the three new licences which were granted during the year. The Wexford licence block includes the known mineralized area at Duncormick which was diamond drilled in 1972, obtaining significant zinc-lead mineralization at depths up to 750 feet.

In addition to the foregoing joint venture project with Penarroya and Preussag, your Company is participating in a joint venture in the Connemara area where exploration is in progress on a large group of prospecting licences being investigated for scheelite (tungsten) occurrences.

The Connemara joint venture agreement with Central Mining Finance Limited (which manages the project) provides the latter the right to earn a 51% interest in the licence group by the expenditure of \$300,000. Your Company's present interest in the licences forming the Connemara joint venture is 44.5% which reduces to a participating interest of 21.8% if and when CMF exercises its earning right.

Munster also has a 15% non-contributing interest in two prospecting licences in the Kildare area which is part of a joint venture project managed by Irish Base Metals Limited. Other interests held by Munster include the Waterford group of four licences, three of which are equally shared with Tara Prospecting and the fourth with Tara and Irish Base Metals Limited. The Waterford licence group is subject to an earned interest of approximately 48% by Amax Exploration of U.K. Inc.

ISLE OF MAN

The joint venture involving the exploration for lead-zinc and copper in the Isle of Man in which Anglo United had a modest participating interest with other associated companies of the Northgate Group, was terminated at the end of October following a review of the results from the 13 diamond drill holes completed.

CANADA

Your Company's principal holding in Canada is the Camp Lake gold property consisting of 20 claims in the Yellowknife area, Northwest Territories. The claims are held under a 21-year mining lease extending to 1992.

No work has been carried out on this property since the 1974 field season during which additional diamond drilling, together with geological mapping, prospecting and trenching was carried out. The results of this work, correlated with previous exploration, provided a basis for a recalculation of the drill-indicated reserves to an estimated 43,750 tons grading 0.46 ounce of gold per ton.

On the completion of the 1974 field program, a firm of consulting engineers was retained to carry out a feasibility study covering the most economical and flexible method of underground access to the more favourable zones. These studies concluded that the most appropriate design would involve a long decline (with branches) at a 15% grade for a total decline distance of approximately 3,900 feet.

The estimated cost of the underground program, exclusive of underground diamond drilling, was approximately \$1.2 million on the then prevailing pricing basis. Among other considerations, the Company has contemplated the possibility of joint venturing as a means of funding this recommended program. The current gold price, approximating \$200 per ounce in Canadian funds, enhances the economics of such an underground program.

General

Your Company envisages an expanded program of exploration during the current year including the scheduled exploration of the four prospecting licences in County Donegal, Ireland, which were recently advertised for issue to Munster Base Metals Limited. The contemplated program involves progressive phases of exploration to evaluate the significance of the radioactive zone which was detected in the recent reconnaissance survey in Donegal.

As noted in the Information Circular accompanying the Notice of the forthcoming Annual and General Meeting, shareholders will be asked to vote on a special resolution approved by the Board of Directors to increase the authorized capital from 8,000,000 common shares to 10,000,000 common shares. The purpose of this increase in the Company's authorized capital is to make provision for additional financing which may be required for its 1978, and ongoing exploration program.

The Directors express appreciation for the loyal and effective work of our technical staff, employees and consultants.

On behalf of the Board of Directors,

"Alan R. B. Lowe"

President

12th April, 1978

ANGLO UNITED DEVELOPMENT CORPORATION

AND ITS WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT OCTOBER 31, 1977

ASSETS

CURRENT ASSETS

Cash
Short-term deposits
Accounts receivable

INVESTMENTS — at cost (notes 2 and 6)

Shares of Northgate Explorations Limited
(quoted market value 1977 — \$1,046,915; 1976 — \$886,799)

MINING AND OIL PROPERTIES (notes 1 and 3)

Oil leases
Mining claims
Interest in exploration ventures
Deferred exploration expenses

OTHER ASSETS

Head office furniture — at cost
Exploration fixed assets — at cost, less accumulated depreciation
Organization expenses

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued charges

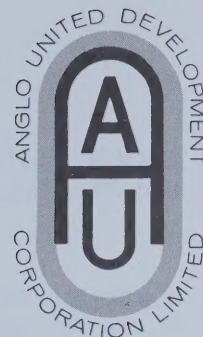
SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized —
8,000,000 shares without par value
Issued and fully paid —
7,013,500 shares

DEFICIT

LIMITED



| 1977 | 1976 |
|----------------|----------------|
| \$ | \$ |
| 58,041 | 81,862 |
| 247,206 | 304,445 |
| 3,546 | 4,978 |
| <u>308,793</u> | <u>391,285</u> |

| | |
|----------------|----------------|
| <u>231,541</u> | <u>231,541</u> |
|----------------|----------------|

| | |
|------------------|------------------|
| 47,352 | 60,050 |
| 72,500 | 72,500 |
| 972,864 | 877,822 |
| 918,490 | 920,177 |
| <u>2,011,206</u> | <u>1,930,549</u> |

| | |
|------------------|------------------|
| — | 4,646 |
| 7,479 | — |
| 18,653 | 18,653 |
| 26,132 | 23,299 |
| <u>2,577,672</u> | <u>2,576,674</u> |

| | |
|---------------|---------------|
| <u>17,393</u> | <u>16,395</u> |
|---------------|---------------|

| | |
|------------------|------------------|
| 4,396,589 | 4,396,589 |
| 1,836,310 | 1,836,310 |
| 2,560,279 | 2,560,279 |
| <u>2,577,672</u> | <u>2,576,674</u> |

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Anglo United Development Corporation Limited as at October 31, 1977 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at October 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
December 2, 1977

Coopers & Lybrand
Chartered Accountants

SIGNED ON BEHALF OF THE BOARD

J. C. EVANS Director

A. G. HEYES, Director

**ANGLO UNITED DEVELOPMENT CORPORATION LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
For the Year Ended October 31, 1977**

| | 1977 \$ | 1976 \$ |
|-----------------------------------|------------------|------------------|
| INCOME | | |
| Dividends | 68,117 | — |
| Oil production — net | 12,698 | 12,607 |
| Interest and other income | 45,189 | 31,820 |
| | <u>126,004</u> | <u>44,427</u> |
| EXPENSES | | |
| Administration expenses | 80,636 | 83,822 |
| Amortization of oil leases | 12,698 | 12,607 |
| Exploration expenses | 32,670 | — |
| | <u>126,004</u> | <u>96,429</u> |
| NET LOSS FOR THE YEAR | — | 52,002 |
| DEFICIT — BEGINNING OF YEAR | 1,836,310 | 1,784,308 |
| DEFICIT — END OF YEAR | <u>1,836,310</u> | <u>1,836,310</u> |

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Year Ended October 31, 1977**

| | 1977 \$ | 1976 \$ |
|---|----------------|----------------|
| WORKING CAPITAL PROVIDED BY: | | |
| Dividends | 68,117 | — |
| Interest and other income | 45,189 | 31,820 |
| Oil lease rentals | 12,698 | 12,607 |
| Proceeds from common share issue | — | 400,000 |
| Write-off of head office furniture | 4,646 | — |
| | <u>130,650</u> | <u>444,427</u> |
| WORKING CAPITAL APPLIED TO: | | |
| Exploration fixed asset additions — net | 7,479 | — |
| Interest in exploration ventures | 95,042 | 57,273 |
| Deferred exploration expenses | 30,983 | 21,975 |
| Administration expenses | 80,636 | 83,822 |
| | <u>214,140</u> | <u>163,070</u> |
| INCREASE (DECREASE) IN WORKING CAPITAL | (83,490) | 281,357 |
| WORKING CAPITAL — BEGINNING OF YEAR | 374,890 | 93,533 |
| WORKING CAPITAL — END OF YEAR | <u>291,400</u> | <u>374,890</u> |

ANGLO UNITED DEVELOPMENT CORPORATION LIMITED AND ITS WHOLLY-OWNED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended October 31, 1977

1. ACCOUNTING POLICIES

The accounting policies of the company and its subsidiaries are in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant for the company.

- (a) Basis of consolidation
The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Anglo United Investments Limited and Munster Base Metals Limited.
- (b) Translation of foreign currency
Current assets and current liabilities are converted to Canadian dollars at the year-end exchange rate. Other assets have been converted at the rate in effect at the time of the transaction.
- (c) Amortization
Oil leases are being written off in amounts equal to net revenue received.
- (d) Deferred exploration expenses
These expenses are deferred until such time as they are written off against production from the property to which they apply or until all the claims within the area are sold or otherwise disposed of. Sufficient expenditures are charged to expenses in the year incurred to absorb the income.

2. INVESTMENTS

Due to the number of shares held, the quoted market value is not indicative of the value which may be more or less than that indicated by market quotations.

3. MINING AND OIL PROPERTIES

- (a) The amounts shown for mining and oil properties represent costs to date, less amounts written off, and are not intended to reflect present or future values.
- (b) Oil leases consist of an interest in the Sarcee Buffalo Group and the Canex Buffalo Group in the Buffalo-Bindloss Area of Alberta.
- (c) Mining claims consist of the Camp Lake property of 20 claims in the Snare River area, Northwest Territories.
- (d) Interest in exploration ventures consists mainly of the expenditures on the Irish property covered by the Penarroya agreement of \$886,376 (1976 — \$801,575).
- (e) Penarroya Agreement
As of November 1, 1975 Munster Base Metals Limited (a wholly-owned subsidiary), Société Minière et Métallurgique de Penarroya and Preussag A. G. entered into a joint venture agreement in respect of certain mining licences held in the Republic of Ireland. Under the agreement, which is to remain in force until such time as all licences have been abandoned or surrendered, Munster has an initial participating interest of one-third.

**ANGLO UNITED DEVELOPMENT CORPORATION LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended October 31, 1977**

3. MINING AND OIL PROPERTIES (continued)

(f) Deferred exploration expenses are summarized below:

| | 1977 | 1976 |
|-----------------------------------|----------------|----------------|
| | \$ | \$ |
| Balance — beginning of year | 920,177 | 898,202 |
| Expenditures during year | 30,983 | 21,975 |
| | 951,160 | 920,177 |
| Amounts written off | 32,670 | — |
| Balance — end of year | <u>918,490</u> | <u>920,177</u> |

4. INCOME TAXES

- (a) The company has substantial amounts of deferred exploration expenses available for income tax purposes which may be applied against income of future periods.
- (b) One of the subsidiary companies has loss carry-forwards for income tax purposes of \$64,000 which expire in varying amounts up to 1982.

5. SENIOR OFFICERS' REMUNERATION

The aggregate direct remuneration paid to a director and senior officers (as defined by the Business Corporations Act, which includes the five highest paid employees) was \$67,637 (1976 — \$73,431).

6. SUBSEQUENT EVENT

Subsequent to the year-end, the company negotiated a line of credit with a Canadian chartered bank for a maximum of \$500,000. In the event this line of credit is utilized, the company is obliged to pledge its shares of Northgate Exploration Limited.

